

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2005 calendar year, or tax year beginning **SEP 1, 2005** and ending **AUG 31, 2006**

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	Please use IRS label or print or type See Specific Instructions	C Name of organization MERCATUS CENTER, INC.	D Employer identification number 54-1436224
	Number and street (or P O box if mail is not delivered to street address) 3401 NORTH FAIRFAX DRIVE	Room/suite 450	E Telephone number (703) 993-4930
	City or town, state or country, and ZIP + 4 ARLINGTON, VA 22201		F Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) ▶

• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ)

H and I are not applicable to section 527 organizations.

H(a) Is this a group return for affiliates? Yes No

H(b) If "Yes," enter number of affiliates ▶ **N/A**

H(c) Are all affiliates included? **N/A** Yes No (If "No," attach a list)

H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No

I Group Exemption Number ▶ **N/A**

G Website: ▶ **WWW.MERCATUS.ORG**

J Organization type (check only one) ▶ 501(c) (3) ◀ (insert no.) 4947(a)(1) or 527

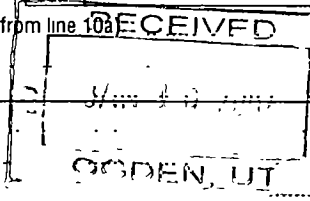
K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization chooses to file a return, be sure to file a complete return. Some states require a complete return.

M Check if the organization is **not** required to attach Sch B (Form 990, 990-EZ, or 990-PF)

L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12 ▶ **6,969,936.**

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

Revenue CANNED JAN 22 2007	1	Contributions, gifts, grants, and similar amounts received				
		a	Direct public support	1a	6,561,609.	
		b	Indirect public support	1b		
		c	Government contributions (grants)	1c		
		d	Total (add lines 1a through 1c) (cash \$ 6,327,046. noncash \$ 234,563.)	1d	6,561,609.	
		2	Program service revenue including government fees and contracts (from Part VII, line 93)	2	64,640.	
		3	Membership dues and assessments	3		
		4	Interest on savings and temporary cash investments	4	43,772.	
		5	Dividends and interest from securities	5	30,029.	
		6a	Gross rents	6a		
		6b	Less rental expenses	6b		
		6c	Net rental income or (loss) (subtract line 6b from line 6a)	6c		
	7	Other investment income (describe ▶)	7			
	8a	Gross amount from sales of assets other than inventory	(A) Securities	8a		
	8b	Less cost or other basis and sales expenses	8b			
	8c	Gain or (loss) (attach schedule)	8c			
	8d	Net gain or (loss) (combine line 8c, columns (A) and (B)) STMT 1		1,060.		
	9	Special events and activities (attach schedule) If any amount is from gaming, check here <input type="checkbox"/>				
	9a	Gross revenue (not including \$ of contributions reported on line 1a)	9a			
	9b	Less direct expenses other than fundraising expenses	9b			
	9c	Net income or (loss) from special events (subtract line 9b from line 9a)	9c			
	10a	Gross sales of inventory, less returns and allowances	10a			
	10b	Less cost of goods sold	10b			
	10c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c	18,519.		
	11	Other revenue (from Part VII, line 103)	11	18,519.		
	12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	6,719,629.		
Expenses	13	Program services (from line 44, column (B))	13	4,648,416.		
	14	Management and general (from line 44, column (C))	14	166,699.		
	15	Fundraising (from line 44, column (D))	15	1,044,790.		
	16	Payments to affiliates (attach schedule)	16			
	17	Total expenses (add lines 16 and 44, column (A))	17	5,859,905.		
Net Assets	18	Excess or (deficit) for the year (subtract line 17 from line 12)	18	859,724.		
	19	Net assets or fund balances at beginning of year (from line 73, column (A))	19	1,371,407.		
	20	Other changes in net assets or fund balances (attach explanation) SEE STATEMENT 2	20	<10,503.>		
	21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	2,220,628.		



Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (attach schedule) (cash \$ <u>593,504.</u> noncash \$ <u>0.</u>) If this amount includes foreign grants, check here <input type="checkbox"/>	22 593,504.	593,504.	STATEMENT 5	
23 Specific assistance to individuals (attach schedule)	23			
24 Benefits paid to or for members (attach schedule)	24			
25 Compensation of officers, directors, etc **	25 353,646.	240,156.	80,103.	33,387.
26 Other salaries and wages	26 1,781,855.	1,579,940.	17,000.	184,915.
27 Pension plan contributions	27			
28 Other employee benefits	28 381,904.	332,778.	9,804.	39,322.
29 Payroll taxes	29 154,833.	132,413.	6,575.	15,845.
30 Professional fundraising fees	30 219,502.			219,502.
31 Accounting fees	31 25,230.	0.	25,230.	0.
32 Legal fees	32 20,434.	6,456.	518.	13,460.
33 Supplies	33 211,242.	185,390.	7,772.	18,080.
34 Telephone	34 35,951.	30,249.	2,831.	2,871.
35 Postage and shipping	35 270,752.	43,627.	352.	226,773.
36 Occupancy	36			
37 Equipment rental and maintenance	37			
38 Printing and publications	38 389,101.	141,973.	243.	246,885.
39 Travel	39 191,237.	180,155.	1,232.	9,850.
40 Conferences, conventions, and meetings	40 512,868.	496,870.	6,033.	9,965.
41 Interest	41			
42 Depreciation, depletion, etc (attach schedule)	42 36,922.	31,383.	1,478.	4,061.
43 Other expenses not covered above (itemize):				
a _____	43a			
b _____	43b			
c _____	43c			
d _____	43d			
e _____	43e			
f _____	43f			
g SEE STATEMENT 3	43g 680,924.	653,522.	7,528.	19,874.
44 Total functional expenses. Add lines 22 through 43. (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	44 5,859,905.	4,648,416.	166,699.	1,044,790.

Joint Costs. Check if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ N/A, (ii) the amount allocated to Program services \$ N/A,
 (iii) the amount allocated to Management and general \$ N/A, and (iv) the amount allocated to Fundraising \$ N/A

** SEE STATEMENT 4

Part III Statement of Program Service Accomplishments (See the instructions.)

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ► SEE STATEMENT 6	Program Service Expenses (Required for 501(c)(3) and (4) orgs, and 4947(a)(1) trusts; but optional for others)
All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	
a RESEARCH AND APPLICATION: THE CENTER'S RESEARCH EFFORTS ARE DIRECTED TOWARD GENERATING KNOWLEDGE AND UNDERSTANDING ABOUT THE INSTITUTIONS THAT AFFECT THE FREEDOM TO PROSPER.	
(Grants and allocations \$ 209,914.) If this amount includes foreign grants, check here ► <input type="checkbox"/>	1,271,791.
b CAPITOL HILL CAMPUS: BRINGS EDUCATION IN ECONOMIC IDEAS TO KEY DECISION-MAKERS IN THE PUBLIC POLICY PROCESS. A MAJOR COMPONENT OF THE PROGRAM IS THE CHIEF OF STAFF RETREAT.	
(Grants and allocations \$ 0.) If this amount includes foreign grants, check here ► <input type="checkbox"/>	1,014,485.
c REGULATORY STUDIES PROGRAM: GENERATES ACADEMIC AND PRACTICAL INFORMATION ABOUT REGULATIONS IN ORDER TO ENHANCE THE QUALITY OF DISCUSSION AND DEBATE REGARDING REGULATORY POLICY.	
(Grants and allocations \$ 12,206.) If this amount includes foreign grants, check here ► <input type="checkbox"/>	637,027.
d UNIVERSITY RESEARCH & TEACHING: ADVANCES EXCELLENCE AT GEORGE MASON UNIVERSITY IN ORDER TO BETTER UNDERSTAND AND COMMUNICATE THE IDEAS WHICH UNDERGIRD A FREE AND PROSPEROUS SOCIETY.	
(Grants and allocations \$ 371,507.) If this amount includes foreign grants, check here ► <input type="checkbox"/>	629,378.
e Other program services (attach schedule) SEE STATEMENT 7	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	1,095,735.
f Total of Program Service Expenses (should equal line 44, column (B), Program services) ►	4,648,416.

Form 990 (2005)

Part IV Balance Sheets (See the instructions)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only

		(A) Beginning of year	(B) End of year
Assets	45 Cash - non-interest-bearing	19.	45 19.
	46 Savings and temporary cash investments	54,135.	46 1,007,195.
	47 a Accounts receivable	47a 24,639.	
	b Less: allowance for doubtful accounts	47b	47c 24,639.
	48 a Pledges receivable	48a	
	b Less: allowance for doubtful accounts	48b	48c
	49 Grants receivable	1,992,025.	49 1,583,656.
	50 Receivables from officers, directors, trustees, and key employees		50
	51 a Other notes and loans receivable	51a	
	b Less: allowance for doubtful accounts	51b	51c
	52 Inventories for sale or use		52
	53 Prepaid expenses and deferred charges	43,258.	53 68,885.
	54 Investments - securities STMT 8 ▶ <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV	615,687.	54 464,253.
	55 a Investments - land, buildings, and equipment: basis	55a	
b Less: accumulated depreciation	55b	55c	
56 Investments - other		56	
57 a Land, buildings, and equipment: basis	57a 405,201.		
b Less: accumulated depreciation	57b 335,496.	57c 69,705.	
58 Other assets (describe ▶)		58	
59 Total assets (must equal line 74). Add lines 45 through 58	2,794,599.	59 3,218,352.	
Liabilities	60 Accounts payable and accrued expenses	542,781.	60 408,691.
	61 Grants payable	737,621.	61 473,112.
	62 Deferred revenue		62
	63 Loans from officers, directors, trustees, and key employees		63
	64 a Tax-exempt bond liabilities		64a
	b Mortgages and other notes payable		64b
	65 Other liabilities (describe ▶ GIFT ANNUITY)	142,790.	65 115,921.
66 Total liabilities. Add lines 60 through 65)	1,423,192.	66 997,724.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.		
	67 Unrestricted	617,586.	67 1,067,758.
	68 Temporarily restricted	753,821.	68 1,152,870.
	69 Permanently restricted		69
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.		
	70 Capital stock, trust principal, or current funds		70
	71 Paid-in or capital surplus, or land, building, and equipment fund		71
	72 Retained earnings, endowment, accumulated income, or other funds		72
	73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21)	1,371,407.	73 2,220,628.
	74 Total liabilities and net assets/fund balances. Add lines 66 and 73	2,794,599.	74 3,218,352.

Part IV-A Reconciliation of Revenue per Audited Financial Statements With Revenue per Return (See the instructions)

a	Total revenue, gains, and other support per audited financial statements		a	6,966,561.
b	Amounts included on line a but not on Part I, line 12:			
1	Net unrealized gains on investments	b1	<10,503.>	
2	Donated services and use of facilities	b2	257,435.	
3	Recoveries of prior year grants	b3		
4	Other (specify): _____	b4		
	Add lines b1 through b4		b	246,932.
c	Subtract line b from line a		c	6,719,629.
d	Amounts included on Part I, line 12, but not on line a:			
1	Investment expenses not included on Part I, line 6b	d1		
2	Other (specify): _____	d2		
	Add lines d1 and d2		d	0.
e	Total revenue (Part I, line 12). Add lines c and d		e	6,719,629.

Part IV-B Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

a	Total expenses and losses per audited financial statements		a	6,117,340.
b	Amounts included on line a but not on Part I, line 17:			
1	Donated services and use of facilities	b1	257,435.	
2	Prior year adjustments reported on Part I, line 20	b2		
3	Losses reported on Part I, line 20	b3		
4	Other (specify): _____	b4		
	Add lines b1 through b4		b	257,435.
c	Subtract line b from line a		c	5,859,905.
d	Amounts included on Part I, line 17, but not on line a:			
1	Investment expenses not included on Part I, line 6b	d1		
2	Other (specify): _____	d2		
	Add lines d1 and d2		d	0.
e	Total expenses (Part I, line 17). Add lines c and d		e	5,859,905.

Part V-A Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) (See the instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0.)	(D) Contributions to employee benefit plans & deferred compensation plans	(E) Expense account and other allowances
SEE STATEMENT 9		337,888.	15,758.	0.

Part V-A Current Officers, Directors, Trustees, and Key Employees (continued)

75 a Enter the total number of officers, directors, and trustees permitted to vote on organization business at board meetings 9
75 b Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? If "Yes," attach a statement that identifies the individuals and explains the relationship(s)
75 c Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to this organization through common supervision or common control?
Note. Related organizations include section 509(a)(3) supporting organizations.
If "Yes," attach a statement that identifies the individuals, explains the relationship between this organization and the other organization(s), and describes the compensation arrangements, including amounts paid to each individual by each related organization
75 d Does the organization have a written conflict of interest policy?

Part V-B Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits (If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column. See the instructions.)

Table with 5 columns: (A) Name and address, (B) Loans and Advances, (C) Compensation, (D) Contributions to employee benefit plans & deferred compensation plans, (E) Expense account and other allowances. Row 1 contains 'NONE' in column A.

Part VI Other Information (See the instructions.)

76 Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity
77 Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.
78 a Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?
b If "Yes," has it filed a tax return on Form 990-T for this year? N/A
79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement
80 a Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?
b If "Yes," enter the name of the organization N/A and check whether it is [X] exempt or [] nonexempt
81 a Enter direct or indirect political expenditures (See line 81 instructions.) 81a 0.
b Did the organization file Form 1120-POL for this year?

Part VI Other Information (continued)

Form 990 questions 82a through 92 with Yes/No columns and various input fields for amounts and text.

Table with 2 columns: Yes, No. Rows 91b, 91c.

Part VII Analysis of Income-Producing Activities (See the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
93 Program service revenue:					
a PUBLICATIONS					64,640.
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	43,772.	
96 Dividends and interest from securities			14	30,029.	
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory			18	1,060.	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue:					
a MISCELLANEOUS					18,519.
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		0.		74,861.	83,159.
105 Total (add line 104, columns (B), (D), and (E))					158,020.

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
▼	SEE STATEMENT 11

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions)

Please Sign Here: Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer: *[Signature]* Date: 1-5-07 Type or print name and title: GARY LEFF, CFO & Treasurer

Paid Preparer's Use Only: Preparer's signature: *[Signature]* Date: 1/4/2007 Check if self-employed: Preparer's SSN or PTIN:
 Firm's name (or yours if self-employed), address, and ZIP + 4: RAFFA, P.C. 1899 L STREET, NW, SUITE 600 WASHINGTON, DC 20036
 EIN: Phone no: (202) 822-5000

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Organization Exempt Under Section 501(c)(3)

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or 4947(a)(1) Nonexempt Charitable Trust

Supplementary Information-(See separate instructions.)

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No 1545-0047

2005

Name of the organization: **MERCATUS CENTER, INC.** Employer identification number: **54 1436224**

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees

(See page 1 of the instructions List each one If there are none, enter "None ")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
HON. MAURICE P. MCTIGUE, Q.S.O. 3301 N FAIRFAX DR,, ARLINGTON, VA	VICE PRESIDENT 40.00	144,335.	3,687.	0.
DR. JEROME ELLIG 3301 N FAIRFAX DR,, ARLINGTON, VA	ACTING DIR-REG STUD 40.00	140,000.	4,052.	0.
HON. TIMOTHY ROEMER 3301 N FAIRFAX DR,, ARLINGTON, VA	DIST. SCHOLAR 40.00	128,257.	3,617.	0.
LAWSON BADER 3301 N FAIRFAX DR,, ARLINGTON, VA	VICE PRESIDENT 40.00	114,667.	3,777.	0.
SUSAN DUDLEY 3301 N FAIRFAX DR,, ARLINGTON, VA	DIST. SENIOR SCHOLAR 40.00	119,167.	2,658.	
Total number of other employees paid over \$50,000	▶ 6			

Part II-A Compensation of the Five Highest Paid Independent Contractors for Professional Services

(See page 2 of the instructions List each one (whether individuals or firms) If there are none, enter "None ")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
STEPHEN CLOUSE & ASSOCIATES 43538 GOLDEN MEADOW CIRCLE,, ASHBURN, VA 20147	FUNDRAISING/VIDEO PRODUCTION SVS	226,007.
KUDLOW AND COMPANY, LLC 1375 KINGS HWY EAST, FAIRFIELD, CT 06824	CONSULTING	70,000.

Total number of others receiving over \$50,000 for professional services	▶ 0	

Part II-B Compensation of the Five Highest Paid Independent Contractors for Other Services

(List each contractor who performed services other than professional services, whether individuals or firms If there are none, enter "None " See page 2 of the instructions)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
THE HINKEY COMPANY 9058 EUCLID AVENUE, MANASSAS, VA 20110	PRINTING AND SHIPPING	244,178.
ERESOURCES 1725 K STREET NW, SUITE 601, WASHINGTON DC 20006	WEBSITE DESIGN & INFRASTRUCTURE	71,990.

Total number of other contractors receiving over \$50,000 for other services	▶ 0	

Part III Statements About Activities (See page 2 of the instructions)

	Yes	No
1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities \$ _____ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes" must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.		X
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)		
a Sale, exchange, or leasing of property?		X
b Lending of money or other extension of credit?		X
c Furnishing of goods, services, or facilities?		X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? SEE PART V-A, FORM 990	X	
e Transfer of any part of its income or assets?		X
3 a Do you make grants for scholarships, fellowships, student loans, etc.? (If "Yes," attach an explanation of how you determine that recipients qualify to receive payments.)	X	
b Do you have a section 403(b) annuity plan for your employees?	X	
c During the year, did the organization receive a contribution of qualified real property interest under section 170(h)?		X
4 a Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?		X
b Do you provide credit counseling, debt management, credit repair, or debt negotiation services?		X

Part IV Reason for Non-Private Foundation Status (See pages 3 through 6 of the instructions)

The organization is not a private foundation because it is (Please check only ONE applicable box.)

- 5 A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
- 6 A school Section 170(b)(1)(A)(ii) (Also complete Part V)
- 7 A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
- 8 A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
- 9 A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state **▶** _____
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the **Support Schedule** in Part IV-A)
- 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A)
- 11b A community trust Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A)
- 12 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the **Support Schedule** in Part IV-A)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) sections 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) Check the box that describes the type of supporting organization **▶** Type 1 Type 2 Type 3

Provide the following information about the supported organizations. (See page 6 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

14 An organization organized and operated to test for public safety Section 509(a)(4) (See page 6 of the instructions)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) Use cash method of accounting.
 Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in)	(a) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)	3,730,461.	3,678,594.	4,489,323.	2,656,093.	14,554,471.
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose	110.	89,491.	178,029.	43,698.	311,328.
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	53,968.	178,191.	148,234.	24,542.	404,935.
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.					
22 Other income. Attach a schedule Do not include gain or (loss) from sale of capital assets	8,421.	4,249.	SEE STATEMENT 13 4,437.	3,302.	20,409.
23 Total of lines 15 through 22	3,792,960.	3,950,525.	4,820,023.	2,727,635.	15,291,143.
24 Line 23 minus line 17	3,792,850.	3,861,034.	4,641,994.	2,683,937.	14,979,815.
25 Enter 1% of line 23	37,930.	39,505.	48,200.	27,276.	
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24					26a 299,596.
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2001 through 2004 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					26b 751,616.
c Total support for section 509(a)(1) test. Enter line 24, column (e)					26c 14,979,815.
d Add: Amounts from column (e) for lines 18 404,935. 19 22 20,409. 26b 751,616.					26d 1,176,960.
e Public support (line 26c minus line 26d total)					26e 13,802,855.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f 92.1430%
27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year N/A	(2004)	(2003)	(2002)	(2001)	
b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year N/A	(2004)	(2003)	(2002)	(2001)	
c Add: Amounts from column (e) for lines 15 16 17 20 21					27c N/A
d Add: Line 27a total and line 27b total					27d N/A
e Public support (line 27c total minus line 27d total)					27e N/A
f Total support for section 509(a)(2) test. Enter amount on line 23, column (e)					27f N/A
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g N/A %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h N/A %

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2001 through 2004, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15

Part V Private School Questionnaire (See page 7 of the instructions)

N/A

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe, if "No," please explain (If you need more space, attach a separate statement)		
<hr/> <hr/> <hr/>			
32	Does the organization maintain the following		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement)	32d	
<hr/> <hr/> <hr/>			
33	Does the organization discriminate by race in any way with respect to		
a	Students' rights or privileges?	33a	
b	Admissions policies?	33b	
c	Employment of faculty or administrative staff?	33c	
d	Scholarships or other financial assistance?	33d	
e	Educational policies?	33e	
f	Use of facilities?	33f	
g	Athletic programs?	33g	
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement)	33h	
<hr/> <hr/> <hr/>			
34 a	Does the organization receive any financial aid or assistance from a governmental agency?	34a	
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement	34b	
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation	35	

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 9 of the instructions)

N/A

(To be completed ONLY by an eligible organization that filed Form 5768)

Check a if the organization belongs to an affiliated group Check b if you checked "a" and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred)		(a) Affiliated group totals	(b) To be completed for ALL electing organizations												
		N/A													
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36													
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37													
38	Total lobbying expenditures (add lines 36 and 37)	38													
39	Other exempt purpose expenditures	39													
40	Total exempt purpose expenditures (add lines 38 and 39)	40													
41	Lobbying nontaxable amount Enter the amount from the following table - <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">If the amount on line 40 is -</td> <td style="width: 50%;">The lobbying nontaxable amount is -</td> </tr> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 40</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </table>	If the amount on line 40 is -	The lobbying nontaxable amount is -	Not over \$500,000	20% of the amount on line 40	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000	41	
If the amount on line 40 is -	The lobbying nontaxable amount is -														
Not over \$500,000	20% of the amount on line 40														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
42	Grassroots nontaxable amount (enter 25% of line 41)	42													
43	Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36	43													
44	Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38	44													

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below See the instructions for lines 45 through 50 on page 11 of the instructions.)

Calendar year (or fiscal year beginning in)	Lobbying Expenditures During 4-Year Averaging Period				N/A
	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
45 Lobbying nontaxable amount					0.
46 Lobbying ceiling amount (150% of line 45(e))					0.
47 Total lobbying expenditures					0.
48 Grassroots nontaxable amount					0.
49 Grassroots ceiling amount (150% of line 48(e))					0.
50 Grassroots lobbying expenditures					0.

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the instructions.)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of	Yes	No	Amount
a Volunteers		X	
b Paid staff or management (Include compensation in expenses reported on lines c through h.)		X	
c Media advertisements		X	
d Mailings to members, legislators, or the public		X	
e Publications, or published or broadcast statements		X	
f Grants to other organizations for lobbying purposes		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means		X	
i Total lobbying expenditures (Add lines c through h.)			0.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities

Part VII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations (See page 12 of the instructions)

51 Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

a Transfers from the reporting organization to a noncharitable exempt organization of

(i) Cash

(ii) Other assets

b Other transactions

(i) Sales or exchanges of assets with a noncharitable exempt organization

(ii) Purchases of assets from a noncharitable exempt organization

(iii) Rental of facilities, equipment, or other assets

(iv) Reimbursement arrangements

(v) Loans or loan guarantees

(vi) Performance of services or membership or fundraising solicitations

c Sharing of facilities, equipment, mailing lists, other assets, or paid employees

d If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received.

Table with 3 columns: Question, Yes, No. Rows include 51a(i), a(ii), b(i), b(ii), b(iii), b(iv), b(v), b(vi), and c. All 'No' boxes are marked with an 'X'.

N/A

Large table with 4 columns: (a) Line no, (b) Amount involved, (c) Name of noncharitable exempt organization, (d) Description of transfers, transactions, and sharing arrangements. The table is mostly empty.

52 a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527?

Yes No (X) No

b If "Yes," complete the following schedule

N/A

Table with 3 columns: (a) Name of organization, (b) Type of organization, (c) Description of relationship. The table is mostly empty.

FORM 990 GAIN (LOSS) FROM PUBLICLY TRADED SECURITIES STATEMENT 1

DESCRIPTION	GROSS SALES PRICE	COST OR OTHER BASIS	EXPENSE OF SALE	NET GAIN OR (LOSS)
SALE OF INVESTMENTS	251,367.	250,307.	0.	1,060.
TOTAL TO FORM 990, PART I, LINE 8	251,367.	250,307.	0.	1,060.

FORM 990 OTHER CHANGES IN NET ASSETS OR FUND BALANCES STATEMENT 2

DESCRIPTION	AMOUNT
UNREALIZED LOSS ON INVESTMENTS	<10,503.>
TOTAL TO FORM 990, PART I, LINE 20	<10,503.>

FORM 990 OTHER EXPENSES STATEMENT 3

DESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING
INSURANCE	12,185.	10,373.	483.	1,329.
PROPERTY TAX	3,749.	3,187.	150.	412.
AUDIO VISUAL	9,112.	9,112.	0.	0.
MISCELLANEOUS	31,367.	13,692.	6,472.	11,203.
SPACE ADVERTISING	4,439.	4,147.	292.	0.
BOOKS AND SUBSCRIPTIONS	17,994.	16,209.	29.	1,756.
PROFESSIONAL FEES	240,654.	235,738.	102.	4,814.
HONORARIA	360,867.	360,867.	0.	0.
TEMPORARY HELP	557.	197.	0.	360.
TOTAL TO FM 990, LN 43	680,924.	653,522.	7,528.	19,874.

FORM 990 OFFICER COMPENSATION ALLOCATION STATEMENT 4
PART II, LINE 25

NAME OF OFFICER, ETC.	COMPENSATION	EMPLOYEE BEN. PLANS	EXPENSE ACCOUNTS	TOTALS
BRIAN HOOKS	125,846.	3,777.		129,623.
A. PROGRAM SERVICES	105,207.	3,077.		108,284.
B. MANAGEMENT AND GENERAL	4,191.	106.		4,297.
C. FUNDRAISING	16,448.	594.		17,042.

NAME OF OFFICER, ETC.	COMPENSATION	EMPLOYEE BEN. PLANS	EXPENSE ACCOUNTS	TOTALS
COLLEEN MORRETTA	58,584.	297.		58,881.
A. PROGRAM SERVICES	47,564.	245.		47,809.
B. MANAGEMENT AND GENERAL	11,020.	52.		11,072.
C. FUNDRAISING				

NAME OF OFFICER, ETC.	COMPENSATION	EMPLOYEE BEN. PLANS	EXPENSE ACCOUNTS	TOTALS
GARY LEFF	54,500.	7,665.		62,165.
A. PROGRAM SERVICES	4,115.	537.		4,652.
B. MANAGEMENT AND GENERAL	45,824.	6,515.		52,339.
C. FUNDRAISING	4,561.	613.		5,174.

NAME OF OFFICER, ETC.	COMPENSATION	EMPLOYEE BEN. PLANS	EXPENSE ACCOUNTS	TOTALS
ANTHONY WOODLIEF	98,958.	4,019.		102,977.
A. PROGRAM SERVICES	75,970.	3,441.		79,411.
B. MANAGEMENT AND GENERAL	11,984.	411.		12,395.
C. FUNDRAISING	11,004.	167.		11,171.
TOTAL PROGRAM SERVICES				240,156.
TOTAL MANAGEMENT AND GENERAL				80,103.
TOTAL FUNDRAISING				33,387.
TOTAL OFFICER, ETC., COMPENSATION INCLUDED ON PARTS V-A AND V-B				353,646.

FORM 990 CASH GRANTS AND ALLOCATIONS STATEMENT 5

CLASSIFICATION	DONEE'S NAME	DONEE'S ADDRESS	DONEE'S RELATIONSHIP	AMOUNT
GMU ACADEMIC ACTIVITIES	GEORGE MASON UNIVERSITY FOUNDATION	4400 UNIVERSITY DR. , FAIRFAX, VA 22030	NONE	593,504.
TOTAL INCLUDED ON FORM 990, PART II, LINE 22				593,504.

FORM 990 STATEMENT OF ORGANIZATION'S PRIMARY EXEMPT PURPOSE PART III STATEMENT 6

EXPLANATION

THE CENTER'S PRIMARY EXEMPT PURPOSE IS TO EDUCATE STUDENTS AND IS AN ORGANIZATION WHICH USES SOUND INTERDISCIPLINARY RESEARCH AND APPLICATION IN THE HUMANE SCIENCES THAT INTEGRATES THEORY AND PRACTICE TO DEVELOP INSIGHTS AND TOOLS THAT CAN SUSTAINABLY ADVANCE A FREE, PROSPEROUS, AND CIVIL SOCIETY.

FORM 990 OTHER PROGRAM SERVICES STATEMENT 7

DESCRIPTION	GRANTS AND ALLOCATIONS	EXPENSES
PUBLIC AFFAIRS		601,290.
GOVERNMENT ACCOUNTABILITY		363,186.
OTHER		131,259.
TOTAL TO FORM 990, PART III, LINE E		1,095,735.

FORM 990 NON-GOVERNMENT SECURITIES STATEMENT 8

SECURITY DESCRIPTION	COST/FMV	CORPORATE STOCKS	CORPORATE BONDS	OTHER PUBLICLY TRADED SECURITIES	TOTAL NON-GOV'T SECURITIES
MUTUAL FUNDS	FMV			464,253.	464,253.
TO FORM 990, LINE 54, COL B				464,253.	464,253.

FORM 990 PART V-A - LIST OF OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES STATEMENT 9

NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN- SATION	EMPLOYEE BEN PLAN CONTRIB	EXPENSE ACCOUNT
PROFESSOR TYLER COWEN 3301 N. FAIRFAX DR. STE. 450 ARLINGTON, VA 22201	CHAIRMAN 1.00	0.	0.	0.
DR. RICHARD FINK 3301 N. FAIRFAX DR. STE. 450 ARLINGTON, VA 22201	DIRECTOR 1.00	0.	0.	0.
HON. MANUEL H. JOHNSON 3301 N. FAIRFAX DR. STE. 450 ARLINGTON, VA 22201	DIRECTOR 1.00	0.	0.	0.
CHARLES G. KOCH 3301 N. FAIRFAX DR. STE. 450 ARLINGTON, VA 22201	DIRECTOR 1.00	0.	0.	0.
DR. VERNON L. SMITH 3301 N. FAIRFAX DR. STE. 450 ARLINGTON, VA 22201	DIRECTOR 1.00	0.	0.	0.
FRANK B. ATKINSON 3301 N. FAIRFAX DR. STE. 450 ARLINGTON, VA 22201	DIRECTOR 1.00	0.	0.	0.
DWIGHT C. SCHAR 3301 N. FAIRFAX DR. STE. 450 ARLINGTON, VA 22201	DIRECTOR 1.00	0.	0.	0.
MENLO SMITH 3301 N. FAIRFAX DR. STE. 450 ARLINGTON, VA 22201	DIRECTOR 1.00	0.	0.	0.
HON. EDWIN MEESE 3301 N. FAIRFAX DR. STE. 450 ARLINGTON, VA 22201	DIRECTOR 1.00	0.	0.	0.
BRIAN HOOKS 3301 N. FAIRFAX DR. STE. 450 ARLINGTON, VA 22201	CHIEF OPERATING OFFICER 40.00	125,846.	3,777.	0.
DR. ANTHONY WOODLIEF 3301 N. FAIRFAX DR. STE. 450 ARLINGTON, VA 22201	PRESIDENT 40.00	98,958.	4,019.	0.

COLLEEN MORRETTA 3301 N. FAIRFAX DR. STE. 450 ARLINGTON, VA 22201	SECRETARY 40.00	58,584.	297.	0.
GARY D. LEFF 3301 N. FAIRFAX DR. STE. 450 ARLINGTON, VA 22201	TREASURER 40.00	54,500.	7,665.	0.
TOTALS INCLUDED ON FORM 990, PART V-A		<u>337,888.</u>	<u>15,758.</u>	<u>0.</u>

FORM 990 LIST OF STATES RECEIVING COPY OF RETURN STATEMENT 10
PART VI, LINE 90

STATES
AK, AZ, AR, CA, CO, CT, DE, DC, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO
MT, NE, NV, NH, NJ, NM, NY, ND, OH, OK, OR, RI, SC, SD, TN, TX, UT, VT, VA, WA, WY

FORM 990 PART VIII - RELATIONSHIP OF ACTIVITIES TO STATEMENT 11
ACCOMPLISHMENT OF EXEMPT PURPOSES

LINE	EXPLANATION OF RELATIONSHIP OF ACTIVITIES
93A	REVENUE FROM SALES OF THE CENTER'S PUBLICATIONS RELATING TO RESEARCH CONDUCTED BY ITS FACULTY AND STAFF. THE CENTER CHARGES A NOMINAL AMOUNT FOR PUBLICATIONS, PRIMARILY TO COVER COSTS OF PRODUCTION, MATERIALS, AND POSTAGE. THE PUBLICATIONS ARE OFTEN USED IN THE CLASSROOM AND ARE DISTRIBUTED TO EDUCATIONAL AND NON-PROFIT ORGANIZATIONS.
103A	MISCELLANEOUS REVENUE GENERATED IN RELATION TO THE DISSEMINATION OF INFORMATION ON RESEARCH OF MARKET-BASED SOLUTIONS TO SOCIAL AND ECONOMIC PROBLEMS.

SCHEDULE A EXPLANATION OF QUALIFICATIONS TO RECEIVE PAYMENTS STATEMENT 12
PART III, LINE 3A

THE PURPOSE OF THE GRANT AWARD PROGRAM IS TO RECRUIT AND DEVELOP YOUNG SCHOLARS TO PUSH OUT THE FRONTIER OF KNOWLEDGE IN MARKET PROCESS THEORY, LAW AND ECONOMICS, AND CONSTITUTIONAL POLITICAL ECONOMY; AND TO HELP THOSE YOUNG SCHOLARS BECOME SKILLED EXPOSITORS OF MARKET ECONOMICS AND PUBLIC POLICY IN THE CLASSROOM, IN THE POLICY ARENA, AND TO THE MEDIA. FACULTY AWARDS ARE GIVEN TO THOSE CENTER FACULTY MEMBERS WHO ARE IN GOOD STANDING AT GEORGE MASON UNIVERSITY AND WHO ACTIVELY ENGAGE IN ORIGINAL RESEARCH. AWARDS ARE USUALLY RESTRICTED TO THOSE PROJECTS AND FACULTY FOR WHICH RESEARCH SUPPORT CAN BE OBTAINED. RESEARCH PROJECTS ARE EXPECTED TO RESULT IN SCHOLARLY JOURNAL ARTICLES, BOOK MANUSCRIPTS, MONOGRAPHS, OR OTHER QUALITY PRODUCTS.

SCHEDULE A	OTHER INCOME			STATEMENT 13
DESCRIPTION	2004 AMOUNT	2003 AMOUNT	2002 AMOUNT	2001 AMOUNT
MISCELLANEOUS REVENUE	8,421.	4,249.	4,437.	3,302.
TOTAL TO SCHEDULE A, LINE 22	8,421.	4,249.	4,437.	3,302.

Mercatus Center, Inc.
 Form 990, Part II, Line 42 - Depreciation
 Form 990, Part IV, Line 57 - Land, Buildings, and Equipment
 Year Ended August 31, 2006

54-1436224

ASSETS

	Beginning of Year	Additions	Disposals	End of Year
Furniture, fixtures, and equipment	\$ 334,990	\$ 67,308	\$ -	\$ 402,298
Leasehold Improvements	2,903	-	-	2,903
Total	\$ 321,142	\$ 67,308	\$ -	\$ 405,201

ACCUMULATED
DEPRECIATION

	Beginning of Year	Current Year Depreciation	Disposals	End of Year
Furniture, fixtures, and equipment	\$ 296,521	\$ 36,922	\$ -	\$ 333,443
Leasehold Improvements	2,053	-	-	2,053
Total	\$ 281,823	\$ 36,922	\$ -	\$ 335,496

Note: Property and equipment are stated at cost and are depreciated over estimated useful lives of five to seven years using the straight-line method, with no salvage value. Leasehold improvements are stated at cost and are amortized over the remaining term of the lease or their useful life, whichever is shorter